

NPIC/TDS/D-1020-67  
18 September 1967

## MEMORANDUM FOR THE RECORD

Declass Review by NGA.

SUBJECT: Anticipated Overrun of Project #10197, Viewgraph Maker  
[redacted]1. Historical Background.

A Project Suggestion Form (PSF #118) for a viewgraph maker was submitted on 26 May 1966 by [redacted] of the Publications Division. [redacted] a former member of the Technical Development Staff evaluated the PSF and felt that a modified [redacted] Platemaster using the [redacted] process (Reference NPIC/P&DS/D/6-1583, 16 September 1966) would meet the project requirements. The Imagery Analysis Service expressed interest in this system on 3 October 1966 (Reference IAD/OSS-220/66). On 2 November 1966 [redacted] submitted a technical proposal (171/66) for a Viewgraph Maker. The Publications Division indicated approval of the proposed [redacted] material and [redacted] equipment in NPIC/PD 2-67. The Imagery Analysis Service likewise concurred via IAD/OSS-256/66.

2. Contractual Matters

On 4 November 1966 [redacted] quoted a straight fixed price of [redacted] for two Viewgraph Makers. On 31 March 1967 they raised their quote to a fixed price of [redacted]. This increase was due to [redacted] increased Overhead and G&A rates incurred during the period required for the approval process. [redacted], Contracting Officer, NPIC, on 31 March 1967 (memo attached) mentioned a cost-type contract with the opinion that it could be less expensive. While there was a difference of opinion within our staff on which type of contract should be pursued, it was decided to use the cost plus incentive fee contract. The target cost was [redacted] and the target fee was [redacted] for a total cost of [redacted]. The contract date was 13 April 1967 and the period of performance was to be from 13 April 1967 to 14 August 1967.

3. Contract Monitoring

[redacted] and I made trips to [redacted] on 21 April and 12 May 1967. During these visits we discussed the design of the Viewgraph Maker. The contractor encountered no apparent serious technical problems in his design. During May 1967 [redacted] left the Technical Development Staff and I assumed responsibilities as project monitor of this contract. The contractor's monthly reports for April, May, and June 1967 all estimated that the project cost would exactly equal the target cost of the contract.

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[redacted]

On 11 August 1967 I visited [redacted] to discuss an anticipated overrun on another contract. I specifically questioned [redacted] as to the status of funds for the Viewgraph Maker contract. He assured me at that time that [redacted] did not anticipate an overrun on contract [redacted]. During the following week I called [redacted] project engineer for this contract, and again requested information concerning the status of the funds. He did not foresee any financial difficulties and in fact, thought that he could possibly produce the two Viewgraph Makers for less than the target costs.

During the week of 21 August, [redacted] called and requested a visit with me on 24 August but gave no indication of the purpose of the visit. He arrived at NPIC on 24 August and informed me that he anticipated an overrun of approximately [redacted]. He said that the overrun was in part due to increased overhead and G&A rates. When I asked him what the possibilities were for reducing this overrun he mentioned the alternative of furnishing only one Viewgraph Maker instead of the two originally specified by the contract. I reminded him to check the details of the contract since there was probably a provision requiring him to incur no additional costs. I also suggested that he would be required to furnish data on costs to complete for the contract.

[redacted] were notified of this overrun. [redacted] was to re-evaluate his Staff's requirement for the Viewgraph Maker. He notified me shortly after that his Staff's requirement had diminished and that if sufficient funds could be saved, the procurement of their Viewgraph Maker should be reconsidered. This information was required from [redacted] as rapidly as possible in order to minimize delays that could cost the government additional funds. Also, the contractor needed more time to furnish two costs to complete, one for supplying both Viewgraph Makers and the other for furnishing only one Viewgraph Maker. Had IAS's reply been to the effect of still requiring their equipment, I could have saved this time.

I called [redacted] on 6 September and 8 September and mentioned that their monthly report was overdue and asked when their cost data would be supplied. [redacted] informed me that he would furnish me the cost data sometime during the week of September 11.

[redacted] visited NPIC on September 14, 1967. [redacted] auditor from the Ames Building, and I discussed the overrun. A cost analysis presented

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[redacted] at that time is attached. [redacted] also delivered the July monthly report. The July monthly report still showed that the estimated costs to complete were within the original target cost of the contract. However, as shown in the cost analysis, made as of 14 August, only two weeks later, an additional [redacted] are estimated for the completion of the work. [redacted] has shown that they did not make realistic cost estimates at any time before or during the period of the contract.

#### 4. Alternatives

The following alternatives are presented with preliminary cost data. These figures will be updated as soon as further information is received

a. Cancel the contract-Cost approximately [redacted] If the contract is cancelled, no assembled equipment will be received. Unfinished parts, unground lenses and other components will be of little value to NPIC.

b. Require all components to be finished and assemble equipment at NPIC-Cost approximately [redacted] (This cost is uncertain at this time since [redacted] has not been presented with this alternative.) [redacted] informed me that most of the components are completed but that he has not as yet spent more than the contract target cost. I then suggested that the overrun would be consumed almost entirely in assembly, debugging and final report writing. He did not confirm this suggestion but said that he would furnish more up to date figures on expenditures. If we can obtain all components at near the original contract target cost, then perhaps our Equipment Performance Staff could assemble it.

c. Change scope to require only one Viewgraph Maker to be delivered-Cost approximately [redacted] Even if only one Viewgraph Maker is made an overrun will still occur. Credit will be received for some of the parts of the other unit.

d. Require both Viewgraph Makers to be delivered-Cost approximately [redacted] For an additional [redacted] the second Viewgraph Maker can be procured.

e. Send a letter to responsible [redacted] administrative personnel suggesting that they absorb a portion of the overrun costs. Since some of the overrun costs were due to poor financial estimates and control by [redacted] personnel [redacted] might be willing to pay some of these costs. Of course, if this approach does not produce a favorable reply by [redacted] we would still be faced with selecting one of the previous mentioned alternatives.

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[Redacted]

[Redacted]

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Support Systems Branch, Development Staff, TDS

Attachments:

A--PSF#118

B--NPIC/P&DS/D/6-1583

C--IAD/OSS-220/66

D--NPIC/PD 2-67

E--IAD/OSS-256/66

F--Memo, [Redacted] Ch/DS/TDS, 31 March 1967

G-- [Redacted] Cost Analysis

Distribution:

Original - Route And File

1 - Originator

2 - NPIC/TDS/DS